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PP RUEHWEB

DE RUEHTU #1210/01 3431139
ZNR UUUUU ZZH
P 081139Z DEC 08
FM AMEMBASSY TUNIS
TO RUEHC/SECSTATE WASHDC PRIORITY 5802
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDOC/USDOC WASHDC PRIORITY
RUCNMGH/MAGHREB COLLECTIVE

UNCLAS TUNIS 001210

SIPDIS

STATE FOR NEA/MAG (NARDI, HAYES, PATTERSON)
STATE PASS USTR (BURKHEAD) AND USAID (MCCLOUD)
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AMMAN FOR ESTH HUB (BHALLA)
CAIRO FOR FINANCIAL ATTACHE (SEVERENS)
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: N/A
TAGS: ECON EFIN ETRD TS
SUBJECT: TUNISIA: ECONOMIC HIGHLIGHTS

REF: TUNIS 1193

Summary

¶1. (U) This cable contains highlights of recent economic developments in Tunisia on the following topics:

¶A. GOT Ratchets Down Projected 2008 GDP Growth
¶B. Tunisia Asks For an "Advanced Status" With the EU
¶C. Tunisia to Offer Telephone License in 2009
¶D. Tunisia Enticing New FDI
¶E. Tunisia's Foreign Investment Increased 38 Percent
¶F. Tunisia Gets More Power Stations
¶G. Gulf Finance House Still on Track

GOT Ratchets Down Projected 2008 GDP Growth

¶2. (U) Prime Minister Mohamed Ghannouchi officially lowered the expected GDP growth rate from 6.1 percent to 5.1 during a press conference November 23. This is the first statement by the GOT recognizing the impact the financial crisis is having on the Tunisian economy. Previous statements by GOT officials focused on assuaging popular concerns about possible declines in FDI, exports, and tourism revenue. The IMF and World Bank both ratcheted back their estimations for Tunisia's 2008 GDP growth rate shortly after the financial crisis hit.

Tunisia Asks For an "Advanced Status" With the EU

¶3. (U) The seventh session of the EU-Tunisia Association Council met November 11, to discuss the EU-Tunisia relationship. Morocco's relationship with the EU was recently upgraded to "advanced status", a designation that the GOT is now also hotly pursuing. The topic was central in a November 14 meeting between President Ben Ali and Portuguese Foreign Minister Louis Amado. Reportedly, the EU and Tunisia agreed to establish an ad-hoc committee to define the framework of a reinforced partnership and of more privileged relations. (Note: Tunisia was the first Mediterranean country to sign an Association Agreement with the EU in 1995. The agreement created a free trade zone for industrial products that went into effect on January 1, 2008.)

Tunisia to Offer Telephone License in 2009

¶4. (U) The GOT announced an international tender for a new fixed-line and mobile telephone license. The GOT expects the sale to be complete by the end of 2009 and is asking for tenders to be submitted by May 5, 2009. State-controlled Tunisie Telecom was semi-privatized in 2006 when Dubai Telecom DIG purchased 35 percent for TD 3.05 billion (US $2.253 billion). Earlier in 2002, the GOT awarded a GSM license to a joint venture of Kuwait's National Mobile Telecom Watanya and Egypt's Orascom Telecom, effectively establishing Tunisiana, for TD 544 million(US $454 million). According to a European industry magazine, Tunisia has an 82 percent mobile phone penetration rate with currently 8.1 million subscribers. The sale of this duel fixed/mobile license is a lucrative source of hard currency for the GOT, which is facing lean times ahead because of expected declines in remittances, exports and foreign direct investment.

Tunisia Enticing New FDI

¶5. (U) Prime Minister Mohamed Ghannouchi announced on November 23 the use of European Investment Bank and multiple bilateral loans to finance two funds aimed at supporting continued foreign investment in Tunisia. The first fund, with more than 100 million Euros (US $128 million), is a GOT initiative to preserve the pace of foreign direct investment and related job creation by making access to credit easier for prospective investors. The second fund is for existing investments by foreign companies to facilitate their access to credit for on-going operations. (Comment: The GOT continues to bank on foreign direct investment in lieu of expanding private domestic investment. While foreign companies may have easier access to credit, no new programs appear to be on the horizon for Tunisian SME firms.)

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Tunisia's Foreign Investment Increased 38 Percent
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¶6. (U) Tunisia's Foreign Investment Promotion Agency recently reported that FDI increased 58 percent, reaching 2.28 billion TD (US $1.68 billion) during the first ten months of the year. The GOT combines the tourism and real estate sectors for the purpose of totaling foreign direct investment (FDI). This combined category reached TND 183.6 million (US $153.7 million) an increase over the same period y-o-y of 21.2 million TD (US $17.6 million) during the same period in 2007. The spike is explained by Libyan investments in hotels. The 60 percent privatization of the state insurance company STAR by French-OCEOR combined with the 60 percent privatization of the Kuwait-Tunisian Bank (BTKD) explains why services-related FDI grew 149 percent year-on-year to 411.0 million TD (US $295 million). The services sector represents 45 percent of Tunisia's gross domestic product and is expected to reach 50 percent by 2011. FIPA attributes the creation of more than 14,000 jobs to the incoming FDI.

Tunisia Gets More Power Stations

¶7. (U) Gulf press agencies announced that Tunisia recently signed a financing agreement with the Islamic Development Bank for two power stations, one in Feriana in the west and Thyna in the east. General Electric was selected to build the two 126 megawatt power plants. Tunisia's interest in assuring its energy independence was the theme of recent meetings granted to a traveling US delegation on the topic of Nuclear Energy and Non-Proliferation (reftel). The project stands at 250 million TD (US $180 million) and is expected to take three years to build.

Tunis Financial Harbor: Still on Track

¶8. (U) On November 12, Mr. Issam Youssef Jinahi, Executive President of Gulf Finance House (GFH), confirmed that construction on the

planned Tunis Financial Harbor (TFH) will start in early 2009. (Comment: His statement was likely aimed at assuaging concerns about future Gulf investments.) The TFH will be located in the Raoued North, Tunis and just 25 minutes from the Tunis Carthage airport. The TFH was announced by President Ben Ali on December 17, 2007 and aims to create an offshore financial services industry and a world-class International Financial Center to rival London's Financial Center in sheer size.

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